Yule Catto & Co plc

Interim Results for the six months ended 30 June 2010

Yule Catto & Co plc ("Yule Catto" or the "Group"), the international producer of speciality chemicals, is pleased to announce its interim results for the six months ended 30 June 2010.

HIGHLIGHTS

- Underlying total sales* increased by 24% to £326.6m (2009: £264.3m)
- Underlying profit before taxation* increased by 26% to £24.0m (2009: £19.0m) building on the similar increase delivered in 2009
- Earnings per share* of 12.6p (2009: 10.0p), up 26%
- Net debt* £76.5m, down £11.5m from 2009 year end
- Polymer Chemicals operating profit up 19%
- Interim dividend resumed at 2p per share
- 45% of Group revenue now generated in Asia and other high growth developing countries
- Additional Polymers capacity in Asia now under construction

* Before special items, analysed in note 3 and as defined in note 15

Adrian Whitfield, Chief Executive, commented:

"The Group had an excellent first half, with strong growth in earnings driven by profits in our core Polymers Division, building further on the substantial improvements we delivered in 2009.

The Group exited the first half with firm demand across nearly all areas in the Polymer business and a strong order book in Pharma and Impact. The Board anticipates performance in the second half should continue at a broadly similar level to the first half, albeit with the usual seasonal trend.

We remain cautious regarding the wider economic outlook as global growth patterns remain mixed, with robust growth in Asia offset by weaker growth in Europe and North America. However, Yule Catto's robust financial position, strong portfolio of market leading products, and high percentage of sales into Asia and other developing economies, underpin the Board's confidence in the Group's prospects for the medium term."

26 August 2010

ENQUIRIES:

Yule Catto & Co plc **Tel: 01279 442791**
Adrian Whitfield, Chief Executive
David Blackwood, Group Finance Director

Hogarth **Tel: 020 7357 9477**
Andrew Jaques
John Olsen
Ian Payne

RESULTS SUMMARY
Six months to 30 June

	Underlying performance[a]		IFRS	
	2010 Unaudited £'000	2009 Unaudited £'000	2010 Unaudited £'000	2009 Unaudited £'000
Total sales	326,647	264,299	332,336	269,656
EBITDA [b]	36,061	31,277	N/A	N/A
Operating profit	28,699	24,177	41,438	25,670
Profit before taxation	24,049	19,009	40,914	16,116
Net debt [c]	76,545	113,939	N/A	N/A
Earnings per share – continuing operations	12.6p	10.0p	21.1p	7.7p

(a) Underlying performance excludes special items as shown in note 3.

(b) Operating profit before depreciation, amortisation and special items.

(c) As reconciled on the consolidated balance sheet.

Cautionary statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This IMR and the consolidated financial statements for the six months ending 30 June 2010 have been reviewed but not audited. The consolidated financial statements for the six months ending 30 June 2009 were neither audited nor reviewed.

All reference to sales and operating profit in the Chairman's statement and business review, which follows, reflect underlying performance including share of joint ventures, as per note 4, unless otherwise stated.

CHAIRMAN'S STATEMENT & BUSINESS REVIEW

Overview

The Group had an excellent first half, with underlying profit before tax and EPS up 26%. The improvement was driven by the Polymers business, now representing 86% of divisional operating profit, where operating profit increased by 19%. Pharma chemicals profit was lower, but trading improved through the half following a weak start, whilst our remaining Impact business continued to improve performance as expected.

This performance builds further on the substantial improvements we made in 2009, where we grew underlying Group PBT by some 27%.

The successful completion of the sale of our downstream adhesives business led to a further significant reduction in net debt, from £88.0 million at the end of 2009 to £76.5 million.

The Board has declared that the interim dividend will be resumed at 2.0 pence per share, in line with its commitment that the full year dividend will be no less than 5.0 pence.

Polymer Chemicals

	H1 2010	H1 2009	FY 2009
Sales (£'m)	278.8	217.1	443.3
Operating Profit (£'m)	29.2	24.5	51.8

Polymers has manufacturing assets around the world and comprises Dispersion, Latex and various Speciality Polymers. Dispersion Polymers are principally used in surface coatings such as paint and varnish, adhesives such as wood glues and construction applications such as sealants and fillers. SBR latex is used in the manufacture of carpet floor coverings and construction materials such as speciality cement whilst NBR (nitrile) latex is mainly sold into the fast growing nitrile glove market. Speciality Polymers includes polymers to regulate PVC manufacture and sealants for the motor industry.

The division delivered good growth in the first half with revenues ahead by 28% and operating profit ahead by 19%.

Demand has been generally firm, with volumes up by over 9% and increases across all business areas other than the lower margin European compound business for the carpet sector, which remains depressed.

Volume increases were particularly strong in the high growth nitrile latex market. The Group has started construction of additional capacity for nitrile latex in its Malaysian plant, which is due on line in early 2011. Work is also in hand to increase dispersion capacity in Asia to meet growing regional demand.

Raw material input costs rose sharply over the first half of the year and the Division has worked hard to successfully recover these in the market. This will remain a core focus for the Group as prices continue to rise, albeit at a slower pace.

Pharma Chemicals

	H1 2010	H1 2009	FY 2009
Sales (£'m)	33.8	35.7	65.3
Operating Profit (£'m)	3.0	3.7	5.6

Pharma Chemicals (Uquifa), from its manufacturing plants in Spain and Mexico, produces a range of Active Pharmaceutical Ingredients (APIs) for the generic and ethical pharmaceutical industries. These products are sold to formulators who produce and distribute the drug in its final physical form. APIs range from anti-bacterial, anti-ulcer, anti-parasitic to heart drugs. The company currently produces over 75 products.

Operating profit in the first half was lower than in the prior year, as the business experienced a weak start to the year. However, demand and profit strengthened through the half, and the business exited the period with a very strong order book.

We have formed a marketing Joint Venture with Synthetics International, a Swiss headquartered manufacturer focused predominantly on the production of ethical intermediates and API's with manufacturing in China. We believe this marketing Joint Venture will provide Uquifa with access to high quality low cost manufacturing and development whilst simultaneously allowing Synthetics customers to utilise Uquifa's extensive manufacturing and development capabilities in Spain and Mexico.

Impact Chemicals

	H1 2010	H1 2009	FY 2009
Sales (£'m)	14.1	11.5	23.6
Operating Profit (£'m)	1.6	0.9	2.0

The Group's remaining Impact Chemicals business, William Blythe, is a worldwide supplier of inorganic specialities based on copper, iodine and tin from its UK manufacturing facility. Products are used in a range of applications such as semiconductor manufacture, pharmaceutical actives, non-toxic flame retardant, safety glass coatings and catalysts.

William Blythe traded well through the first half with operating profit up by 76%, and has a strong order book as we move into the second half.

Net Debt and Pensions

Net debt decreased from £88.0 million at the year end to £76.5 million at June 2010. The Group sold its downstream adhesives business, Revertex Finewaters in the first half. After passing the minority interest share of the consideration by dividend, the Group's effective share, net of minority interests, equated to £10.9 million, which has contributed to the reduction in net debt.

The net deficit on post retirement benefit obligations in the Group's UK scheme increased by £13.5 million to £83.5 million, reflecting an increased liability from a lower discount rate. Asset values in the scheme were broadly unchanged from the year end.

Special items and asset sales

The Group's debt includes £108 million of US private placements. These borrowings were raised in US dollars and then "swapped" into sterling using long dated cross currency swaps. Whilst the debt therefore is, economically, sterling debt, the swaps do not meet the technical requirements for hedge accounting. Consequently the Group shows the economic interest on the swapped Sterling debt in the underlying column and volatility on the mark to market on the derivatives under special items. In H1 2010 this adjustment resulted in a gain of £4.1 million (2009 loss £4.4 million), shown in special items.

The special items' operating profit of £12.7 million reflects the trading profit and gain on disposal of Revertex Finewaters Sdn Bhd, the Group's downstream adhesive business together with some minor costs of decommissioning the Italian Pharma plant, which was closed as part of the Group's 2007 restructuring programme. The Group's economic interest in Finewaters was 63%, and the gain on this disposal attributable to minority interests is also shown in the special items column.

The Group signed a conditional agreement to sell the Italian Pharma site for redevelopment for €4.6 million in August, the proceeds of which are expected to be received early in 2011. The Group has one further plot of land from its 2007 restructuring programme in Accrington, UK which it intends to dispose of when market conditions allow. Additionally the sale of a 50 acre plot for development from the 1,400 acre Malaysian palm oil plantation is expected to be completed before the year end, with proceeds to the Group of £1.4 million.

Taxation and EPS

The 2010 estimated underlying tax rate is 20%, similar to 2009.

Dividend

The interim dividend of 2.0 pence per ordinary share (2009 nil pence) will be paid on 11 November 2010 to members on the register at close of business on 15 October 2010.

Outlook

The Group exited the first half with firm demand across nearly all areas in the Polymer business and a strong order book in Pharma and Impact. The Board anticipates performance in the second half should continue at a broadly similar level to the first half, albeit with the usual seasonal trend.

We remain cautious regarding the wider economic outlook as global growth patterns remain mixed, with robust growth in Asia offset by weaker growth in Europe and North America. However, Yule Catto's robust financial position, strong portfolio of market leading products, and high percentage of sales into Asia and other developing economies, underpin the Board's confidence in the Group's prospects for the medium term.

PETER WOOD
Chairman
26 August 2010

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Underlying performance	**Special items**	**IFRS**	**Underlying performance**	**Special items**	**IFRS**
	£'000	£'000	£'000	£'000	£'000	£'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Continuing operations						
Group revenue	316,982	5,689	322,671	256,455	5,357	261,812
Share of joint ventures' revenue	9,665	-	9,665	7,844	-	7,844
Total sales	326,647	5,689	332,336	264,299	5,357	269,656
Group revenue	316,982	5,689	322,671	256,455	5,357	261,812
Company and subsidiaries before special items	27,284	-	27,284	23,976	-	23,976
Operations sold or closed during the period	-	12,739	12,739	-	1,493	1,493
Company and subsidiaries	27,284	12,739	40,023	23,976	1,493	25,469
Share of joint ventures	1,415	-	1,415	201	-	201
Operating profit	28,699	12,739	41,438	24,177	1,493	25,670
Interest payable	(4,860)	-	(4,860)	(5,424)	-	(5,424)
Interest receivable	210	-	210	256	-	256
	(4,650)	-	(4,650)	(5,168)	-	(5,168)
Fair value adjustment	-	4,126	4,126	-	(4,386)	(4,386)
Finance costs	(4,650)	4,126	(524)	(5,168)	(4,386)	(9,554)
Profit / (loss) before taxation	24,049	16,865	40,914	19,009	(2,893)	16,116
Taxation	(4,809)	(225)	(5,034)	(3,715)	(224)	(3,939)
Profit / (loss) for the year from continuing operations	19,240	16,640	35,880	15,294	(3,117)	12,177
Discontinued operations						
Loss/profit for the year from discontinued operations	-	-	-	-	3,233	3,233
Profit for the year	19,240	16,640	35,880	15,294	116	15,410
Profit attributable to minority interests	866	4,236	5,102	668	248	916
Profit/(loss) attributable to equity holders of the parent	18,374	12,404	30,778	14,626	(132)	14,494
	19,240	16,640	35,880	15,294	116	15,410
Earnings per share						
From continuing operations						
Basic	12.6p	8.5p	21.1p	10.0p	(2.3)p	7.7p
Diluted	12.3p	8.3p	20.6p	9.8p	(2.2)p	7.6p
From continuing and discontinued operations						
Basic	12.6p	8.5p	21.1p	10.0p	(0.1)p	9.9p
Diluted	12.3p	8.3p	20.6p	9.8p	(0.1)p	9.7p

Special items
The special items are shown in more detail in note 3.

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010 continued

	Year ended 31 December 2009		
	Underlying performance	**Special items**	**IFRS**
	£'000 audited	£'000 audited	£'000 audited
Continuing operations			
Group revenue	516,712	11,236	527,948
Share of joint ventures' revenue	15,450	-	15,450
Total sales	532,162	11,236	543,398
Group revenue	516,712	11,236	527,948
Company and subsidiaries before special items	48,174	-	48,174
Operations sold or closed during the period	-	1,990	1,990
Impairment of goodwill	-	(30,000)	(30,000)
Company and subsidiaries	48,174	(28,010)	20,164
Share of joint ventures	1,242	-	1,242
Operating profit / (loss)	49,416	(28,010)	21,406
Interest payable	(10,308)	-	(10,308)
Interest receivable	439	-	439
	(9,869)	-	(9,869)
Fair value adjustment	-	(4,401)	(4,401)
Finance costs	(9,869)	(4,401)	(14,270)
Profit / (loss) before taxation	39,547	(32,411)	7,136
Taxation	(7,981)	9,065	1,084
Profit / (loss) for the year from continuing operations	31,566	(23,346)	8,220
Discontinued operations			
Profit for the year from discontinued operations	-	3,668	3,668
Profit / (loss) for the year	31,566	(19,678)	11,888
Profit attributable to minority interests	1,572	630	2,202
Profit/(loss) attributable to equity holders of the parent	29,994	(20,308)	9,686
	31,566	(19,678)	11,888
Earnings per share			
From continuing operations			
Basic	20.6p	(16.5)p	4.1p
Diluted	20.1p	(16.1)p	4.0p
From continuing and discontinued operations			
Basic	20.6p	(14.0)p	6.6p
Diluted	20.1p	(13.6)p	6.5p

Special items
The special items are shown in more detail in note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Minority interests	**Equity holders of the parent**	**Total**	**Minority interests**	**Equity holders of the parent**	**Total**
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	£'000	£'000	£'000	£'000	£'000	£'000
Profit for the year	5,102	30,778	35,880	916	14,494	15,410
Actuarial gains and losses	-	(18,402)	(18,402)	-	(13,697)	(13,697)
Gains/(losses) on a hedge of a net investment taken to equity	-	3,597	3,597	-	1,726	1,726
Gains on cash flow hedges arising during the period	-	-	-	-	374	374
Exchange differences on translation of foreign operations	131	(1,960)	(1,829)	(2,267)	(14,021)	(16,288)
Other comprehensive income for the period	131	(16,765)	(16,634)	(2,267)	(25,618)	(27,885)
Total comprehensive income for the period	5,233	14,013	19,246	(1,351)	(11,124)	(12,475)

	Year ended 31 December 2009		
	Minority interests	**Equity holders of the parent**	**Total**
	Audited	Audited	Audited
	£'000	£'000	£'000
Profit for the year	2,202	9,686	11,888
Actuarial gains and losses	-	(12,619)	(12,619)
Losses on a hedge of a net investment taken to equity	-	(253)	(253)
Gains/(losses) on cash flow hedges arising during the period	-	(678)	(678)
Exchange differences on translation of foreign operations	(825)	(6,933)	(7,758)
Tax relating to components of other comprehensive income	-	306	306
Other comprehensive income for the period	(825)	(20,177)	(21,002)
Total comprehensive income for the period	1,377	(10,491)	(9,114)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital redemption reserve	Own Shares	Hedging and translation reserve	Cash flow hedging reserve	Minority interest	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	14,566	33,034	949	-	(934)	-	6,903	19	54,537
Profit for the period	-	-	-	-	-	-	5,102	30,778	35,880
Other comprehensive income for the period	-	-	-	-	1,637	-	131	(18,402)	(16,634)
Total comprehensive income for the period	-	-	-	-	1,637	-	5,233	12,376	19,246
Dividends paid	-	-	-	-	-	-	(5,786)	-	(5,786)
Issue of share capital	-	-	-	-	-	-	135	-	135
At 30 June 2010 (Unaudited)	14,566	33,034	949	-	703	-	6,485	12,395	68,132

	Share capital	Share premium	Capital redemption reserve	Own Shares	Hedging and translation reserve	Cash flow hedging reserve	Minority interest	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2009	14,566	33,034	949	-	6,252	678	9,157	2,056	66,692
Profit for the period	-	-	-	-	-	-	916	14,494	15,410
Other comprehensive income for the period	-	-	-	-	(12,295)	374	(2,267)	(13,697)	(27,885)
Total comprehensive income for the period	-	-	-	-	(12,295)	374	(1,351)	797	(12,475)
Dividends paid	-	-	-	-	-	-	(555)	-	(555)
At 30 June 2009 (Unaudited)	14,566	33,034	949	-	(6,043)	1,052	7,251	2,853	53,662

	Share capital	Share premium	Capital redemption reserve	Own Shares	Hedging and translation reserve	Cash flow hedging reserve	Minority interest	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2009	14,566	33,034	949	-	6,252	678	9,157	2,056	66,692
Profit for the period	-	-	-	-	-	-	2,202	9,686	11,888
Other comprehensive income for the period	-	-	-	-	(7,186)	(678)	(825)	(12,313)	(21,002)
Total comprehensive income for the period	-	-	-	-	(7,186)	(678)	1,377	(2,627)	(9,114)
Dividends paid	-	-	-	-	-	-	(3,631)	-	(3,631)
Shares purchased by ESOP trust	-	-	-	47	-	-	-	-	47
Share-based payments	-	-	-	(47)	-	-	-	590	543
At 31 December 2009 (Audited)	14,566	33,034	949	-	(934)	-	6,903	19	54,537

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2010

	30 June 2010	30 June 2009	31 December 2009
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Non-current assets			
Goodwill	124,027	154,027	124,027
Other intangible assets	482	715	604
Property, plant and equipment	99,623	101,660	103,815
Deferred tax assets	1,069	457	1,139
Investment in joint ventures	4,398	4,541	3,798
	229,599	261,400	233,383
Current assets			
Inventories	57,576	49,399	56,145
Trade and other receivables	124,448	103,751	99,006
Cash and cash equivalents	52,162	40,270	42,384
Derivatives at fair value	23,026	9,176	11,763
Total current assets	257,212	202,596	209,298
Current liabilities			
Borrowings	(39,141)	(36,078)	(38,924)
Trade and other payables	(140,776)	(111,065)	(125,609)
Current tax liability	(32,942)	(47,104)	(34,556)
Total current liabilities	(212,859)	(194,247)	(199,089)
Non-current liabilities			
Borrowings	(106,125)	(123,726)	(101,106)
Trade and other payables	(319)	(213)	(216)
Deferred tax liability	(8,414)	(6,032)	(9,044)
Post retirement benefit obligations	(90,962)	(86,116)	(78,689)
	(205,820)	(216,087)	(189,055)
Net assets	68,132	53,662	54,537
Equity			
Called up share capital	14,566	14,566	14,566
Share premium	33,034	33,034	33,034
Capital redemption reserve	949	949	949
Hedging and translation reserve	703	(6,043)	(934)
Cash flow hedging reserve	-	1,052	-
Retained earnings	12,395	2,853	19
Equity attributable to equity holders of the parent	61,647	46,411	47,634
Minority interests	6,485	7,251	6,903
Total equity	68,132	53,662	54,537
Analysis of net borrowing			
Cash and cash equivalents	52,162	40,270	42,384
Current borrowings	(39,141)	(36,078)	(38,924)
Non-current borrowings	(106,125)	(123,726)	(101,106)
Net borrowings	(93,104)	(119,534)	(97,646)
Deduct: special items	16,559	5,595	9,608
Net debt	(76,545)	(113,939)	(88,038)

The Group's US private placement US dollar term debt was economically hedged from dollars into sterling using long dated cross currency swaps at the date it was borrowed. The US dollar term debt is shown at the 30 June 2010 spot rate in net borrowing and the special item reconciling net borrowings to net debt is the mark to market of the currency element of these swaps which hedges this US dollar term debt

The financial statements were approved by the Board of Directors and authorised for issue on 26 August 2010.

CONSOLIDATED CASH FLOW FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June 2010		Six months ended 30 June 2009		Year ended 31 December 2009	
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
	£'000	£'000	£'000	£'000	£'000	£'000
Operating						
Cash generated from operations		15,596		23,173		64,499
Interest received	210		256		439	
Interest paid	(4,758)		(5,726)		(10,959)	
Net interest paid		(4,548)		(5,470)		(10,520)
UK corporation tax paid	(19)		(255)		(139)	
Overseas corporate tax paid	(5,620)		(2,189)		(6,673)	
Total tax paid		(5,639)		(2,444)		(6,812)
Net cash inflow from operating activities		5,409		15,259		47,167
Investing						
Dividends received from joint ventures		130		111		1,899
Purchase of property, plant and equipment	(4,568)		(4,818)		(8,687)	
Sale of property, plant and equipment	-		2,124		2,253	
Net capital expenditure and financial investment		(4,568)		(2,694)		(6,434)
Sale of businesses	16,236		8,760		8,760	
Net cash impact of acquisitions and disposals		16,236		8,760		8,760
Net cash inflow from investing activities		11,798		6,177		4,225
Financing						
Dividends paid to minority interests		(5,786)		(555)		(3,631)
Investment by minority shareholder		135		-		-
Purchase of own shares		-		-		(47)
Repayment of borrowings		-		-		(33,472)
Proceeds of non-current borrowings		1,902		(701)		19,740
Net cash outflow from financing activities		(3,749)		(1,256)		(17,410)
Increase in cash and bank overdrafts during the year		13,458		20,180		33,982
Comprised of:						
Cash and cash equivalents		10,655		7,375		20,157
Bank overdrafts		2,803		12,805		13,825
		13,458		20,180		33,982

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO MOVEMENT IN NET DEBT FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Net cash inflow from operating activities	5,409	15,259	47,167
Dividends received from joint ventures	130	111	1,899
Net capital expenditure and financial investment	(4,568)	(2,694)	(6,434)
Dividends paid to minority interests	(5,786)	(555)	(3,631)
Free cash flow	(4,815)	12,121	39,001
Net cash impact of acquisitions and disposals	16,236	8,760	8,760
Investment by minority shareholder	135	-	-
Purchase of own shares	-	-	(47)
Exchange movements	(63)	662	(270)
Movement in net debt	11,493	21,543	47,444

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The information for the year ended 31 December 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

The annual financial statements of Yule Catto & Co plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in the half-yearly financial report has been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting', as adopted by the European Union. The same accounting policies and methods of computations are followed in the interim financial statements as in the most recent annual financial statements.

Having regard to the financial position and future prospects of the Group, the directors have concluded that the Group is a going concern and have prepared these financial statements on that basis.

3. Special items

The special items disclosed are made up as follows:

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Continuing operations			
Total sales			
Revenue of operations sold or closed during the period	5,689	5,357	11,236
Operating profit / (loss)			
Operating profit of operations sold or closed during the period	468	1,493	1,990
Profit arising from the sale or closure of operations	12,271	-	-
Operations sold or closed during the period	12,739	1,493	1,990
Impairment of goodwill	-	-	(30,000)
Finance costs			
Fair value adjustment	4,126	(4,386)	(4,401)
Profit / (loss) before taxation from continuing operations	16,865	(2,893)	(32,411)
Taxation	(225)	(224)	9,065
Profit / (loss) for the year from continuing operations	16,640	(3,117)	(23,346)
Discontinued operations			
Total sales			
Revenue of operations sold or closed during the period	-	772	772
Operating profit of discontinued operations			
Operating profit of operations sold or closed during the period	-	22	22
Profit arising from the sale or closure of operations	-	4,315	3,652
	-	4,337	3,674
Taxation			
Taxation on operating profit of operations sold or closed during the year	-	-	(6)
Taxation on profit arising from the sale or closure of operations	-	(1,104)	-
Profit/(loss) for the year from discontinued operations	-	3,233	3,668

4. Segmental analysis

	Total sales			Operating profit		
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
30 June 2010						
Analysis by activity						
Continuing activity						
Polymer Chemicals	269,090	5,689	274,779	27,743	13,161	40,904
Share of Polymer joint ventures	9,665	-	9,665	1,415	-	1,415
	278,755	5,689	284,444	29,158	13,161	42,319
Pharma Chemicals	33,802	-	33,802	2,969	(422)	2,547
Impact Chemicals	14,090	-	14,090	1,574	-	1,574
Total sales	326,647	5,689	332,336			
Divisional operating profit				33,701	12,739	46,440
Unallocated corporate expenses				(5,002)	-	(5,002)
Operating profit				28,699	12,739	41,438

	Total sales			Operating profit		
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
30 June 2009						
Analysis by activity						
Continuing activity						
Polymer Chemicals	209,211	5,357	214,568	24,299	894	25,193
Share of Polymer joint ventures	7,844	-	7,844	201	-	201
	217,055	5,357	222,412	24,500	894	25,394
Pharma Chemicals	35,705	-	35,705	3,677	599	4,276
Impact Chemicals	11,539	-	11,539	895	-	895
Total sales	264,299	5,357	269,656			
Divisional operating profit				29,072	1,493	30,565
Unallocated corporate expenses				(4,895)	-	(4,895)
Operating profit				24,177	1,493	25,670

	Total sales			Operating profit		
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2009						
Analysis by activity						
Continuing activity						
Polymer Chemicals	427,862	11,236	439,098	50,520	1,990	52,510
Share of Polymer joint ventures	15,450	-	15,450	1,242	-	1,242
	443,312	11,236	454,548	51,762	1,990	53,752
Pharma Chemicals	65,296	-	65,296	5,571	(30,000)	(24,429)
Impact Chemicals	23,554	-	23,554	1,967	-	1,967
Total sales	532,162	11,236	543,398			
Divisional operating profit				59,300	(28,010)	31,290
Unallocated corporate expenses				(9,884)	-	(9,884)
Operating profit				49,416	(28,010)	21,406

5. Profit or loss arising from the sale or closure of operations

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Profit / (loss) arising from the sale or closure of operations			
Continuing Operations			
Sale of Revertex Finewaters Sdn Bhd	12,271	-	-
	12,271	-	-
Discontinued Operations			
Costs associated with prior year disposals	-	-	(663)
Sale of Oxford Chemicals	-	3,944	3,944
Write back of excess provision of Holliday Encres SA	-	371	371
	-	4,315	3,652
	12,271	4,315	3,652

6. Reconciliation of profit from operations to cash generated from operations

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Operating profit – continuing operations	41,438	25,670	21,406
Operating profit for the year from discontinued operations	-	4,337	3,674
Less: share of profit of joint ventures	(1,415)	(201)	(1,242)
	40,023	29,806	23,838
Depreciation and amortisation	7,362	7,100	14,771
Impairment of goodwill	-	-	30,000
Profit arising from the sale or closure of operations	(11,849)	(4,914)	(3,652)
Loss / (profit) on sale of fixed assets	9	96	(76)
Share based payments	-	-	(1,306)
Cash impact of termination of businesses	(1,057)	(657)	(3,591)
Pension funding in excess of IAS 19 charge	(5,676)	(3,140)	(10,678)
(Increase) / decrease in inventories	(2,451)	9,295	4,690
(Increase) / decrease in trade and other receivables	(28,595)	11,783	20,779
Increase / (decrease) in trade and other payables	17,830	(26,196)	(10,276)
Cash generated from operations	15,596	23,173	64,499

7. Tax

Tax on the underlying profit before taxation for the six month period is charged at 20% (six months ended 30 June 2009: 20%; year ended 31 December 2009: 20%), representing the best estimate of the average annual effective income tax rate expected for the full year. Inclusion of the best estimate for the tax charge on the special items profit before taxation results in a tax rate of 12% (six months ended 30 June 2009: 24%; year ended 31 December 2009: 15% credit), on the IFRS profit before taxation for continuing operations.

8. Dividends

The interim dividend of 2p per share was approved by the Board on 26 August 2010.

9. Earnings per share

	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Underlying performance £'000	**Special items** £'000	**IFRS** £'000	**Underlying performance** £'000	**Special items** £'000	**IFRS** £'000
From continuing operations						
Earnings (Profit attributable to equity holders of the parent)	18,374	12,404	30,778	14,626	(3,365)	11,261
Earnings per share	12.6p	8.5p	21.1p	10.0p	(2.3)p	7.7p
Diluted earnings per share	12.3p	8.3p	20.6p	9.8p	(2.2)p	7.6p
From continuing and discontinuing operations						
Earnings (Profit attributable to equity holders of the parent)	18,374	12,404	30,778	14,626	(132)	14,494
Earnings per share	12.6p	8.5p	21.1p	10.0p	(0.1)p	9.9p
Diluted earnings per share	12.3p	8.3p	20.6p	9.8p	(0.1)p	9.7p

	Year ended 31 December 2009		
	Underlying performance £'000	**Special items** £'000	**IFRS** £'000
From continuing operations			
Earnings (Profit attributable to equity holders of the parent)	29,994	(23,976)	6,018
Earnings per share	20.6p	(16.5)p	4.1p
Diluted earnings per share	20.1p	(16.1)p	4.0p
From continuing and discontinued operations			
Earnings (Profit attributable to equity holders of the parent)	29,994	(20,308)	9,686
Earnings per share	20.6p	(14.0)p	6.6p
Diluted earnings per share	20.1p	(13.6)p	6.5p

Earnings per ordinary share are calculated using the weighted average number of shares in issue during the period of 145.7 million (six months ended 30 June 2009: 145.7 million, year ended 31 December 2009: 145.7 million).

Diluted per share are calculated using the weighted average number of shares in issue in the period as adjusted for dilutive share options of 149.4 million (six months ended 30 June 2009: 149.4 million, year ended 31 December 2009: 149.4 million).

10. Defined benefit schemes

The defined benefit plan assets have been updated to reflect their market value as at the 30 June 2010. Differences between the expected return on assets and the actual return on assets have been recognised as an actuarial gain or loss in the Statement of Comprehensive Income in accordance with the Group's accounting policy.

11. Disposal of subsidiary

The Group disposed of the following interest during the six months ended 30 June 2010:

Company name:	**Date of sale:**	**Purchaser:**	**Division:**	**Sale type:**
Revertex Finewaters Sdn Bhd	2 June 2010	Third party trade	Polymer Chemicals	Share

The net assets of the company at the date of disposal were as follows:

	Revertex Finewaters Sdn Bhd
	£'000
Property, plant and equipment	1,713
Inventories	1,316
Trade receivables	3,440
Net borrowing	386
Deferred tax liability	(140)
Current tax liability	(92)
Trade payables	(2,774)
	3,849
Less minority interest	(384)
	3,465
Profit on disposal	12,271
Total consideration	15,736
Satisfied by:	
Cash (net of disposal costs)	16,236
Accrued costs of disposal	(500)
	15,736

The impact of this disposal on the Group's results in the current period and prior periods is disclosed in note 3.

12. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. There are no other transactions with related parties other than remuneration of key management personnel, which is disclosed in the Group's annual report.

13. Risks and uncertainties

The Group's principal risks are unchanged from those disclosed in its year end accounts.

The risks include those arising from reduced demand for the Group's products, market competition, legal, export, environmental or other regulatory matters, plant failure, contracts, retirement benefit plan funding and supply chain management together with credit risk, interest rate and exchange rate risk.

14. Further information

The financial information for the year ended 31 December 2009 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

The financial statements were approved by the Board of Directors on 26 August 2010.

This statement can be obtained by the public from the Company's registered office at Temple Fields, Harlow, Essex, CM20 2BH, or on the company website www.yulecatto.com.

15. Glossary of terms

Total sales	Total sales represent the total of revenue from Yule Catto & Co plc, its subsidiaries, and its share of the revenue of joint ventures.
EBITDA	EBITDA is calculated as operating profit before depreciation, amortisation and special items.
Operating profit	Operating profit represents profit from continuing activities before finance costs and taxation.
Non-recurring items	Non-recurring items are defined as: • *Profit or loss impact arising from the sale or closure of an operation;* • *Impairment of non-current assets; and* • *Other non-operating or one-off items.*
Special items	The following are disclosed separately as special items in order to provide a clearer indication of the Group's underlying performance: • Non-recurring items; • Mark to market adjustments in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied; • Revaluation of US dollar loan notes from the rate of the related cross currency swaps to the year end rate; and • The transitional adjustment required to reflect movements in fair value caused by variations in interest rates, and subsequent amortisation thereof, to the extent that these constituted effective hedges under UK GAAP.
Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding special items.
Free cash flow	Free cash flow represents cash flow before cash impact of acquisitions and disposals, purchase and issue of own shares, equity dividends paid and exchange movements.
Net debt	Net debt represents cash and cash equivalents together with short and long term borrowings, as adjusted for the effect of related derivative instruments irrespective of whether they qualify for hedge accounting.

Responsibility statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

A M Whitfield	D C Blackwood
Chief Executive	Group Finance Director

26 August 2010

INDEPENDENT REVIEW REPORT TO YULE CATTO & CO PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet and the consolidated cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
Cambridge, United Kingdom
26 August 2010